

# EXECUTIVE SUMMARY

During the last decade of the 20th Century, Southern California lost significant ground in its socioeconomic competitiveness relative to the rest of the nation. As documented in the State of the Region 2002 Report, the region suffered absolute declines in the basic socioeconomic well-being of its residents, such as educational attainment, median household income, poverty rates for adults and children, and housing affordability. More importantly, these declines took place in the region while the rest of the nation achieved significant improvements.

Economic and demographic driving forces were the primary reasons for “losing ground” in our region. Specifically, during the early 1990s, the region went through the most severe recession since the Great Depression, losing half a million jobs and suffering an 8 percent decline in its real personal income per capita between 1990 and 1993. Many of the jobs lost were in the high-wage defense aerospace manufacturing. As a result, Southern California experienced a 1.5-million net domestic out-migration during the last decade, the largest in our region’s history. During the same period, the region added 1.5 million foreign immigrants. When compared with the domestic out-migrants and the general population, recent immigrants are, on average, less educated, earn lower incomes, live in larger households and rely significantly on rental housing.

Between 1993 and 2000, the region actually rebounded quite well in job growth, adding almost one million jobs and began narrowing the unemployment rate gap with that of the nation.

Per capita income also began to grow slowly again after 1993. However, income gaps relative to other metropolitan regions, enlarged during the recession, continued to widen. This was primarily due to the overall lower wages of new jobs, a less competitive labor force, and changing demographics. Most notably, when compared to the 17 largest metropolitan regions in the nation, per capita income in the region dropped from 95 percent of the 17-metro average in 1990 to 83 percent in 2000. And the region ranked 16th among the 17 metropolitan regions in per capita income in 2000, dropping from 7th place in 1990.



Despite the socioeconomic decline, the last State of the Region Report also noted several accomplishments in the region during the last decade. For example, between 1990 and 2000, the region achieved significant improvements in air quality, a major reduction in violent crime rates and a more diversified economic base.

**How the region performed in the initial years (particularly 2002) of the 21st Century is the focus of this 2003 State of the Region Report. The following six themes emerged.**

- ▲ Southern California resumed its rapid population growth along with the continuing process of demographic transformation and increasing diversity.
- ▲ The region experienced a slight loss in employment in 2002, the first time since 1993<sup>1</sup>. Real personal income per capita began declining in 2001 and is estimated to have continued declining in 2002<sup>2</sup>. However, unlike the recession in the early 1990s, losses for the region were less severe than that of the other large metropolitan regions throughout the nation.
- ▲ Housing construction activities were very active in 2002 with the largest number of housing permits issued since 1990. However, housing affordability worsened particularly for renters as well as those striving to become homeowners.
- ▲ There were adverse trends in the region's air quality, particularly for ozone pollution, contrary to the steady trend of improvements made during the last two decades.

- ▲ The region continued its consistent improvements in reducing the juvenile felony arrest rates in 2002 along with a slight decline in the violent crime rate. In the areas of mobility and education, there were no major changes.
- ▲ The region continued to have significant social and economic disparities among different racial and ethnic groups. These disparities are likely to have exacerbated during the most recent economic decline.

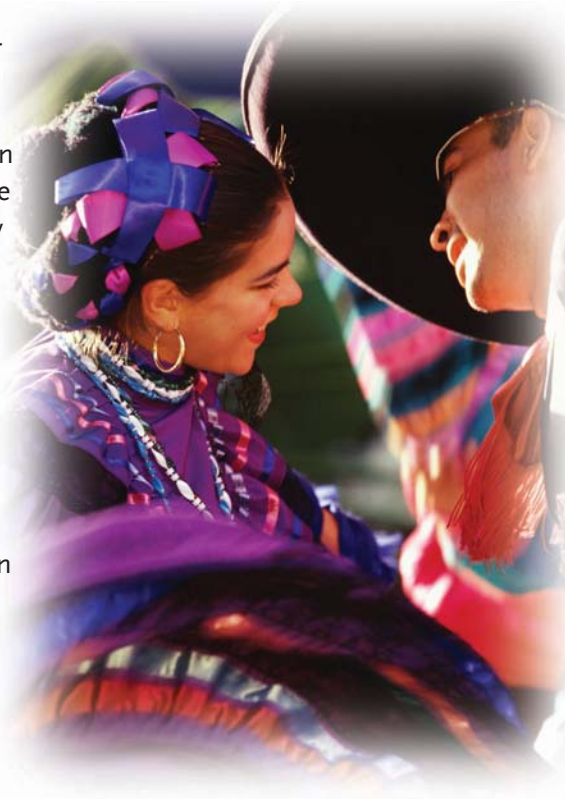
**First, Southern California resumed its rapid population growth along with the continuing process of demographic transformation and increasing diversity.**

The year 2002 was a year of significant population growth in the SCAG region, adding nearly 330,000 residents for a total population of over 17.4 million residents. The region grew faster in 2002 than the rest of the state and the nation. Annual



population growth in the region fluctuated significantly during the 1990s. Specifically, annual population growth slowed down from about 300,000 in 1991 and dropped to 70,000 in 1995 due to the increasing number of people leaving the region as a result of the recession. Since 1995, due to the rebound of the job market, annual population growth has increased as the flow of net domestic out-migration reduced. Beginning in 2000, the region experienced net domestic in-migration that continued through 2002. During 2001 and 2002, the average annual population increase in the region was the largest since 1950.

The region's population growth in 2002 was significantly larger and faster than that of the rest of the state. This is mainly due to the relatively better economic performance of Southern California compared to the rest of the state, particularly the San Francisco Bay Area (including the Silicon Valley). Within the region, Riverside County continued to have the fastest



growth rate followed by San Bernardino County, while Los Angeles County achieved the greatest increase in population. Among the total growth in 2002, natural increase (births over deaths) accounted for about a half while another 41 percent was due to foreign immigration.

In Southern California, population growth has also been accompanied with demographic transformation and increased diversity, particularly changes in the region's ethnic composition. From 1960 to 2000, the Hispanic population increased dramatically from about 10 percent to 41 percent of the total population, while the Asian population share increased from 2 percent to 11 percent. The share of non-Hispanic Whites reduced dramatically from more than 80 percent to 40 percent. During 2001 and 2002, annual population growth was almost exclusively among Hispanics (about 280,000) and Asians (about 41,000). Non-Hispanic Whites and African Americans, experienced slight decreases in absolute numbers. Consequently, population growth in 2001 and 2002 continued the demographic transformation process in the region.

The ethnic changes in the population since 1960 have made Southern California one of the most demographically diverse metropolitan regions, not only in the nation but also in the world. Currently, there is no single racial or ethnic group that comprises more than half of the total population. In 2000, the region also included about 770,000 people identified as mixed-race, about 4.7 percent of the region's total population, that was significantly higher than the national average at 2.4 percent. Among the nine largest metropolitan regions in the

nation, the SCAG region had the second highest share of persons belonging to two or more races, following the San Francisco Bay Area.

**Second, the region experienced a slight loss in employment in 2002, the first time since 1993. Real personal income per capita began declining in 2001 and is estimated to have continued declining in 2002. However, unlike the recession in the early 1990s, losses for the region were less severe than that of the other large metropolitan regions throughout the nation.**

During 2002, the region lost 22,000 jobs, the first loss since the end of the last recession in 1993.<sup>3</sup> The unemployment rate increased from 5.1 to 6.1 percent during the same period, slightly higher than the national average at 5.8 percent. Average payroll per job in the region declined slightly by 0.3 percent in 2001, after adjusting for inflation. In addition, real personal income per capita also declined in 2001 for the first time since 1993 and most likely continued declining through 2002, considering the job loss amid significant population increase.<sup>4</sup> There was no significant change in the region's median household income or poverty rate between 2001 and 2002.

However, the region did not perform as bad relative to the nation in terms of rate of job loss. During this business cycle, the region's diverse economic base helped to dampen the downturn, since it is not as dependent upon the high tech sector as other major metropolitan regions such as the San Francisco Bay Area and Boston regions. This is in sharp contrast to the last recession when defense budget cuts hit the region hardest with its high concentration in the defense aerospace industry. During

2002, job losses in the region were mostly among the export-oriented sectors, particularly manufacturing and information. On the other hand, government and health care sectors were the two leading job generators. The significant growth in population in 2002 contributed to the job gains in sectors such as the retail trade and education sectors. As to the decline in per capita income in 2001, the region performed a little worse relative to the nation but a little better relative to the average of the large metropolitan regions.

Overall, during 2001 and 2002, the SCAG region performed a little better than the other major metropolitan regions. However, the extent was too modest to change the overall economic standing of our region among the major metropolitan regions. In 2001, per capita personal income in the region was only 84 percent of the average of 17 large metropolitan regions, a significant reduction from 95 percent in 1990. Among the 17





large metropolitan regions, the SCAG region continued to rank 16th in per capita income in 2001 and most likely remained 16th in 2002.

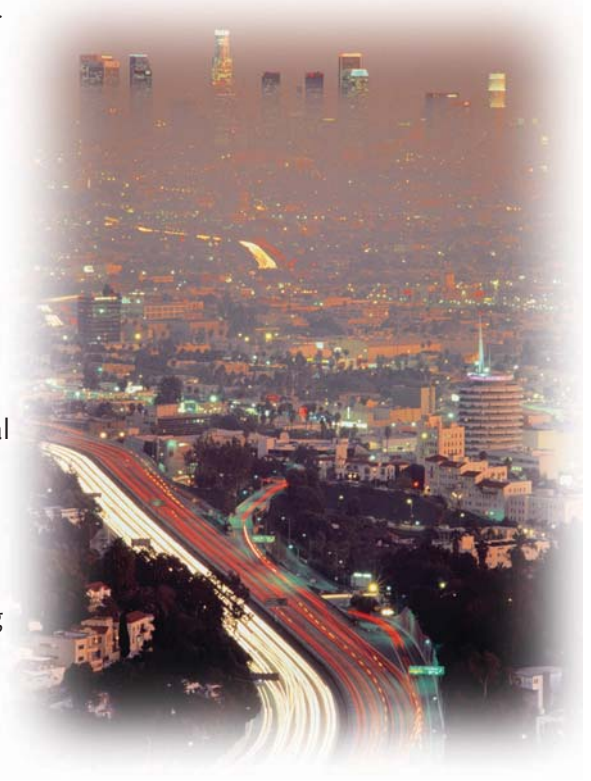
**Third, housing construction activities were very active in 2002 with the largest number of permits issued since 1990. However, housing affordability worsened particularly for renters as well as those striving to become homeowners.**

Based on the 2000 Census, among the nine largest metropolitan regions in the nation, Southern California had the highest percentage of owner and rental households spending 30 percent or more of household income on housing. In 2002, the region experienced the largest number of building permits issued (68,000 units) as well as the largest year-to-year increase (10,000 units) since 1990. In addition, homeownership rate, though well below the national average, increased slightly, following the national trend due to low mortgage rates. Nevertheless, housing affordability worsened due to the sharp increases in housing prices, in light of the lack of growth in household income. In 2002, every county experienced lower housing affordability than the nation and the gaps have been widening since 1997. While more than half of the nation's households could afford a median-priced house in 2002, less than a third of the region's households could achieve the same.

Housing affordability also worsened for renters. With no growth in household income and continued increase in rents, the rental cost burden has been rising. In 2002, among the approximately 7.2 million renters in the region, 52 percent or more than 3.6 million renters spent 30 percent or more of their incomes on rent.

**Fourth, there were adverse trends in the region's air quality, particularly for ozone pollution, contrary to the steady trend of improvements made during the last two decades.**

In 2002, ozone pollution worsened in the South Coast and Mojave Desert Air Basins. In the most populous South Coast Air Basin with more than 15 million residents, the number of days exceeding the federal one-hour ozone standard increased from 36 to 49 days between 2001 and 2002. There were also more days with health advisories. This is a troubling reversal from the trend of improvements since 1980. In particular, Santa Clarita Valley alone surpassed the federal standard 32 days in 2002, more than any other area in the country. (Data for 2003 indicated much worse ozone pollution than in 2002.) As to the PM<sub>10</sub> pollution, while there were some reductions in the number of days exceeding the federal 24-hour standard in the South Coast and Salton Sea Air Basins, both continued exceeding the federal annual average standard.



In 2002, the South Coast Air Basin finally met federal attainment standards for carbon monoxide.

**Fifth, the region continued its consistent improvements in reducing the juvenile felony arrest rates in 2002 along with a slight decline in the violent crime rate. In the areas of mobility and education, there were no major changes.**

Violent crime rate in the region declined slightly by 3 percent in 2002 from 2001. Violent crime rates in Los Angeles County, though reduced by more than half since 1990, were still among the highest of large metropolitan counties in the nation. As to the juvenile felony arrest rate for those aged 10 to 17, it declined by more than 9 percent in the region in 2002. Finally, the number of hate crime events and victims in the region declined by almost 30 percent in 2002 from 2001.

In the area of mobility, the region remained the most congested region in the nation, suffering the highest delay per person. From 2000 to 2002, contrary to the public policy objective, there was a slight decline in the share of carpool and an increase of drive alone among work trips. Highway fatality rates, though declining gradually, were still significantly higher than the national average for urban areas.

In education, there were no noticeable improvements in 2002 regarding student performance in the region such as in 8th grade testing scores or high school dropout rates. Among the nine largest metropolitan regions, the SCAG region remained in last place in the percentage of adults with at least a high school diploma, and 2nd to last for adults with a minimum of a Bachelor's degree.

**Six, the region continued to have significant social and economic disparities among different racial and ethnic groups. These disparities are likely to have exacerbated during the most recent economic decline.**

Social and economic disparities have persisted in Southern California across many areas such as education, income, poverty and homeownership. For example, based on the 2000 Census, the median household income for non-Hispanic Whites was over

\$55,000, significantly higher than that for African American households which was below \$34,000. In addition, 42 percent of African Americans and 45 percent of Hispanics in the region owned their homes in 2000, compared to 60 percent of Asians and 69 percent of non-Hispanic Whites. More significantly, among the youth in different racial and ethnic populations, there were also significant disparities in educa-



tional performance regarding, for example, high school completion. National data also indicated that during 2002, recent immigrants and minorities suffered disproportionate impacts from the recent economic decline.

Finally, contrary to the national trend, the region's household vehicle ownership rates have been declining since 1990. In 2000, the region had significantly higher percentages of African American (18 percent) and Hispanic households (14 percent) without a vehicle than non-Hispanic White (6 percent) and Asian (8 percent) households. Since public transit only plays a very limited role in providing overall mobility, declining vehicle ownership rates are likely to widen the personal mobility gaps and hence exacerbate the social and economic disparities in our region.

### The Path Forward

After losing significant ground during the 1990s, the SCAG region overall did not lose additional ground in 2001 and 2002 relative to other major metropolitan regions in the nation. Looking ahead, however, the region will continue to face major challenges, including, for example, the following:

- ▲ How can the region regain its economic competitiveness and improve the socioeconomic well-being (e.g., employment, income and educational attainment) of all residents in light of the decreasing share of high-wage jobs?
- ▲ How can the region address the persistent challenges in the basic quality of life issues such as mobility, housing availability and affordability, and air quality in light of the estimated increase of 6 million residents by 2030?



These challenges are closely interrelated, since economic development strategies, physical growth patterns and infrastructure investments each could significantly impact the livability, environmental sustainability and economic competitiveness of the region. More importantly, these challenges transcend the jurisdictional boundaries of local governments and any other entities.

To resolve these regional challenges, all the entities in the region, whether in the public, private or non-profit sectors must find ways to work together collaboratively. Only by working together toward a shared vision can the SCAG region successfully run the competitive race for a better tomorrow.